

Message Text

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PAGE 01 HELSIN 02008 050945Z

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TO SECSTATE WASHDC 7940

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SUBJ: CIVAIR-FOREIGN GOVERNMENT SUBSIDIES TO FOREIGN
AIRLINES

REF: A) STATE 162608; B) HELSINKI A-028, JAN 29, 1972

1. SUMMARY; FINNAIR ENJOYS SUBSTANTIAL FINANCIAL
SUPPORT FROM FINNISH GOVERNMENT MAINLY THROUGH GOVERN-
MENT PURCHASE OF FINNAIR CAPITAL STOCK AND THROUGH
GOVERNMENT GUARANTEES OF FINNAIR FOREIGN AND DOMESTIC
BORROWINGS. END SUMMARY.

2. THE FINNISH GOVERNMENT OWNED, AT THE BEGINNING OF
1974, 73 PERCENT OF FINNAIR'S CAPITAL SHARES. FINNAIR,
FOR PRACTICAL PURPOSES, CAN BE CONSIDERED GOVERNMENT-
OWNED. AS NEEDED, FOR INSTANCE TO PURCHASE OF 1968 TWO
DC-8-62CF AIRCRAFT TO OPEN THE HELSINKI-NEW YORK AIR
ROUTE AND TO PURCHASE IN 1974 TWO DC 10-30 AIRCRAFT THE
GOVERNMENT HAS FINANCED PURCHASES OF ADDITIONAL FINNAIR
CAPITAL SHARES THROUGH THE NATIONAL BUDGET. THE
AUTHORIZED SHARE CAPITAL OF THE COMPANY WAS RAISED IN
1974 FROM FMK. 30 MILLION TO FMK. 60 MILLION. (U.S.
DOLLAR 1EQUAL FINNMARK 3.8) GOVERNMENT WILL PURCHASE FMK.
21 MILLION OF ADDITIONAL FMK 30 MILLION AUTHORIZED
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PAGE 02 HELSIN 02008 050945Z

SHARES.

3. IN ADDITION TO THIS VERY IMPORTANT CONTRIBUTION TO EQUITY CAPITAL, GOVERNMENT HAS GUARANTEED BOTH DOMESTIC AND FOREIGN LOANS FOR AIRCRAFT PURCHASES AS WELL AS FOR OTHER PURPOSES. NO SECURITY IS REQUIRED BY THE GOVERNMENT. ON JANUARY 15, 1971, FINNAIR WAS GRANTED AUTHORITY TO BORROW THROUGH 1975 UP TO FMK. 330 MILLION, THESE LOANS TO BE COVERED BY GOVERNMENT GUARANTEES. THIS AUTHORITY HAS NOT YET BEEN FULLY UTILIZED.

4. FINNAIR, IT SHOULD BE NOTED, HAS SHOWN A PROFIT EVERY YEAR FOR PAST 20 EXCEPT THE LAST FISCAL YEAR, ENDING MARCH 31, 1974, WHEN THERE WAS LOSS OF FMK. 1.2 MILLION.

5. FINNAIR UNDOUBTEDLY WORKS CLOSELY WITH FINNISH NATIONAL TOURIST OFFICES ABROAD. AND, AS IT STATES IN ITS LATEST ANNUAL REPORT, FINNAIR, WITH OVER 40 OFFICES IN 20 DIFFERENT COUNTRIES, IS SECOND ONLY TO THE FOREIGN MINISTRY IN ITS REPRESENTATION ABROAD. FINNAIR, IN WORDS OF ANNUAL REPORT, "SELLS FINLAND THROUGH THESE OFFICES".

6. WE HAVE NO FIRM INFORMATION ON OTHER TYPES OF GOVERNMENT SUPPORT OF FINNAIR. ALLEGATIONS OF LANDING FEE REBATES AND CERTAIN CUSTOMS EXEMPTIONS CONTAINED IN REF. B, WHICH SHOULD BE REREAD IN CONNECTION WITH CURRENT INVESTIGATION, REMAIN UNSUBSTANTIATED. FINNAIR SOURCES CONTACTED HAVE, IN FACT, GRUMBLED ABOUT HIGH LANDING FEES HERE.
KREHBIEL

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